

COUNCIL ON DEVELOPMENT FINANCE

December 16, 2013

PUBLIC HEARING 400

THOSE PRESENT:

Mr. Andy Lubin, Chairperson
Senator Brian Bushweller
Honorable Nancy Cook
Mr. Richard Rowland
Representative Darryl Scott
Mr. Fred Sears
Mrs. Richelle Vible

Director Alan Levin
Mrs. Rachael Mears
Mrs. Cassie Porter
Mr. Jimmy Pennewell
Mrs. Lee Porter
Mrs. Jodie Green
Lawrence Lewis, DAG
Ed Black, DAG
Mrs. Bernice Whaley
Mr. Tim McLaughlin
Mrs. Barb DeHaven
Mrs. Melody Booker-Wilkins
Ms. Patty Cannon
Mr. Peter Bothum

ALSO PRESENT: **Miller Metal Fabrication** – Mr. Dave Morris and Mr. Bruce Kelley; **St. Clair Real Estate Holdings, LLC (Tail Bangers)** – Ms. Lisa St. Clair; Ms. Adeline C. Hubbard, Susquehanna Bank; and Marcus DuPhily of Patterson Schwartz Real Estate; **Horizon Partners Ventures, LLC** – Thomas Schultz, PhD. and Dr. Wallace Pill, PhD.; **Springleaf General Services Group** – Mr. David Hogan; **Route 113 Associates, LLC** – Mr. Tim Jones; Ms. Andrea Godfrey, OMB; Ms. Courtney Stewart, Controller Generals Office; and Mr. Brian Maxwell, Office of Management and Budget

LOCATION: Buena Vista, 661 South DuPont Highway, New Castle, Delaware 19720

TIME: 9:00 A.M.

CALL TO ORDER:

The meeting was called to order at 9:00 A.M. by Chairman Lubin, on Monday, December 16, 2013.

OLD BUSINESS:

Mr. Rowland made a motion that the minutes of the October 28, 2013, Council on Development Finance meeting be approved as presented. Mr. Sears seconded the motion which was then adopted by unanimous vote.

Miller Metal Fabrication, Inc. (“Miller Metal” or the “Applicant”): The Applicant is requesting a performance based grant in an amount not to exceed \$41,147 and a capital expenditure grant in an amount not to exceed \$17,677 from the Delaware Strategic Fund program. The Applicant proposes to use the funds to expand its manufacturing operation in Bridgeville, Delaware (the “Project”).

Mrs. Booker-Wilkins and Mr. Pennewell presented this request to the Council. Mrs. Booker-Wilkins stated that Miller Metal is located at 16356 Sussex Highway in Bridgeville, Delaware. She stated these funds will support Miller Metal’s creation of 23 new Delaware positions by December 31, 2015.

Mrs. Booker-Wilkins stated that Miller Metal is a world class manufacturing company that specializes in laser cutting, punching, forming and welding. She stated it is ISO 9001:2008 certified. Mrs. Booker-Wilkins stated that Miller Metal’s workforce has grown from seven employees to 73 today.

Mr. Morris stated that Miller Metal has been before the Council on Development Finance before and that all of the loans with DEDA are current. He stated that recently Miller Metal has expanded its machine shop and is in the process of purchasing a new Trumpf punch which allows additional capacity on its current lasers which are fully booked.

Mr. Morris showed a model airplane made from sheet metal which was an example of what the presses can do. Chairman Lubin asked about the current lasers. Mr. Morris stated that the three current lasers are running twenty-four hours a day and that Miller Metal has recently added a Trumpf punch press. He stated that now they can emboss material and bend from eight to a thousand hits a minute. Mr. Morris stated this press will help Miller Metal become more competitive.

Mr. Sears asked if there were other businesses doing the type of work that Miller Metal is doing. Mr. Morris stated that there are competitors that are mostly in the Philadelphia and Lancaster area. He stated that as far as Delaware, there is no one even close to Miller Metal’s capability. Mr. Sears stated that the statements show that 2011 was a good year profit wise, and asked if there was one outstanding thing that happened to cause the success. Mr. Morris stated that Miller Metal has some new customers such as Case New Holland. He stated that Miller Metal is currently working on a quote with a company that is considering coming back to the USA from China.

Mr. Sears asked if there was a sales team. Mr. Kelley stated that their sales efforts are by word of mouth. He added that they deal with very reputable companies such as Baltimore Aircoil. Mr. Morris stated that being ISO certified, Miller Metal is required to send customer surveys to their clients to indicate the kind of job that Miller Metal has performed. Mr. Morris stated that when he is asked to reply to a survey such as this, he doesn’t give a five out of five because he always believes there is room for improvement.

He stated that he was delighted when three of their largest customers rated Miller Metal a five out of five across the board.

Director Levin stated that Miller Metal is an amazing growth story; the work ethics are outstanding and DEDO has watched it grow for the last five years.

Mr. Morris stated that Miller Metal has made a lot of capital improvements and their sales have more than doubled. Mr. Morris stated that their biggest asset is their people. He stated that they are hard working and very dedicated to the company. He added that the employees are not just operators, they can program and design machines. He stated that their employees always want to learn more and more.

Mrs. Vible asked about the average tenure of Miller Metal's employees. Mr. Morris stated that many of the employees have been there since the company was started. He added that they have brought in some younger people last year but most of the employees are about thirty years old. He stated that Mr. Kelly and he have been in the manufacturing business for forty-five years.

Chairman Lubin asked if there were any public comments; there were none.

Motion Made By: Mr. Rowland
Seconded By: Mrs. Vible

MOTION: After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of a grant in an amount not to exceed Forty-One Thousand One Hundred Forty-Seven Dollars

(\$41,147) as a performance grant and Seventeen Thousand Six Hundred Seventy-Seven Dollars (\$17,677) as a capital expenditures grant, to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including December 16, 2014.

Approved by Vote of 7 to 0.

St. Claire Real Estate Holdings, LLC. (“St. Claire” or the “Applicant”) - The Applicant is requesting a participation loan in an amount not to exceed \$93,000 from the State Small Business Credit Initiative Loan Program in conjunction with Susquehanna Bank. The Applicant proposes to use the funds for the purchase of the land and building located at 24546 Betts Pond Road in Millsboro, Delaware (the “Project”).

Mrs. Booker presented this request to the Council. She stated that the first space this company occupied was only 1,000 square feet and it has now outgrown its current 4,000 square foot facility. Mrs. Booker stated that St. Claire now plans to relocate to a building in Millsboro which will be doubled its current size. She stated that DEDO will have a second lien position on the St. Claire property, a third position on all business assets and a personal guarantee from Lisa St. Claire. St. Claire will be purchasing the land and a commercial building.

Mr. Sears asked Ms. St. Claire how she got into the business and how did it lead to getting her product into so many stores. Ms. St. Claire stated that she actually started her career growing up baking chocolate. She stated that she has a degree in restaurant business management. She stated that she has had dogs all of her life and she started researching the pet food industry fifteen years ago. She stated that she realized that there was a big difference from “pet food” and manufactured pet food. She stated that she believes that the dog food on the market is not very good. Therefore, she started making dog food and people wanted treats first. Ms. St. Claire stated that she made all natural treats. She stated that she wanted to be the person that people came to with their orders. She stated that she went to a trade show with no idea if anyone would buy her product. Ms. St. Claire stated that it was an education for her and for pet stores as they didn’t know what to do with her food at first. Ms. St. Claire stated that she informed them that she would display her product in a baker’s case in the stores. She stated that in a very short time, she was driving her van filled with her dog treats to sixty stores. She stated that the next step was to go to the pet trade shows which would allow other franchises to buy Tailbangers’ products. Ms. St. Claire stated that her treats have a one year shelf life.

Mr. Sears asked about the expansion. Ms. St. Claire stated that moving into this new building will make a big difference and will help substantially. She stated that they will have walk in ovens, one of which will make their product so much quicker. It will bake twice as many cookies as one of the original ovens. The cookies are hand cut, hand dipped and hand decorated. Ms. St. Claire stated that they have a one day turn around on

some of the orders and they have no storage space. She stated that this is a very clean manufacturing operation.

Mrs. Vible asked about the financing deal. Mr. Pennewell stated that DEDO has a subordinate lien position with Susquehanna. Mrs. Mears stated that this deal will be DEDO's first subordination. She stated that this type of funding was what was necessary to get this lending institution to make the loan. Mrs. Vible asked if this was the first deal that DEDO had done with Susquehanna. Mr. Pennewell stated that it was.

Chairman Lubin asked if there were any public comments; there were none.

Motion Made By: Mr. Sears

Seconded By: Senator Bushweller

MOTION:

After duly considering, the Council shall recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of this Project under the State Small Business Credit Initiative Program.

Approved by Vote of 7 to 0.

Horizon Partners Ventures, LLC (“Horizon” or the “Applicant”) The Applicant is requesting a grant in an amount not to exceed \$50,000 from the Delaware Strategic Fund under the Delaware Technical Innovation Program. The Applicant will use the funds as an SBIR Phase II transition grant to fund the development of its super absorbent polymeric hydrogels (the “Project”). The Applicant's business address is Millsboro, Delaware.

Mr. Sears complimented Dr. Schultz and Dr. Pill on the success of the company and on locating in Delaware.

Dr. Schultz stated that this company was formed in 2012 with the primary objective to identify early stage technologies and take them to commercialization. He stated that their current focus is on the commercialization of “hydrocoat”, the world's first non-polymeric seed coating that both reduces early stage water needs for high value crops and is a renewable resource and biodegradable carrier for plant nutrient/protection ingredients. He stated that Horizon has received a Phase I Grant and has submitted its application for a Phase II Grant. Dr. Schultz stated that the successful completion of this project would create ten jobs over two years.

Dr. Schultz stated that this particular technology was developed about a year ago because there was a missing need in seed coating in biodegradable seeds that are coated

with a material for easy planting. However, it is petroleum based and presents a problem with the soil. He stated that there has been some development in competition that can hold the fertilizer onto the seed but that they have found that no one has made a seed coating from gelatin. Dr. Schultz stated that hydrocoat looks like jello. He stated that Horizon discovered that it could make this product which is biodegradable and won't decompose. Horizon has applied for a patent. He added that people have tried to take seeds, coat them so that they hold water but have not been very successful. He stated that with Horizon's coating, the seeds are wet one time and in seven days they grow phenomenally. Dr. Schultz stated that in the next five to ten years, there is going to be considerable competition for water and the need for sanitation. He added that if you coat a seed you allow for better growth. He stated that they are using a material which attracts water from the air. Horizon's technology allows seeds to be shipped and stored without taking water from the air. Dr. Schultz added that they can tailor the type of coating for each specific product. He stated that their customers have responded by asking Horizon to prove the success of this product a little more and then they stated they would then talk about research. He added that the partners have been putting in their own cash.

Representative Scott asked if they thought the patent was adequate. Dr. Schultz stated that they believe that the patent that they have applied for will give them the freedom to operate their analysis. He added that they have applied for one patent and there are two others in process. He stated that he didn't believe the patent office would be working with them if they didn't think Horizon had IP.

Director Levin asked how this research would benefit the State of Delaware. Dr. Pill stated that Horizon will be doing sponsored research and small scale production.

Chairman Lubin asked if Horizon was working with Tier I institutions or just among themselves. Dr. Pill stated that currently they were working among themselves but are starting to investigate that possibility.

Mr. Sears stated that the financials showed \$18,000 of sales and he asked what they sold. Dr. Schultz stated that during the past year they were working with another inventor and what they have been doing is trying to progress this technology so that represents a monthly retainer of \$3,000 per month. Dr. Schultz stated that Horizon's goal is to keep developing technologies. He stated that they understand the industry extremely well and that as they move forward they will continue to do research and development. He added that they will be bringing in millions of dollars in licensing revenue. He stated that they also hoping to bring out early stage technologies from universities which will generate revenue.

Chairman Lubin asked if there were any public comments; there were none.

Motion Made By: Senator Nancy Cook
Seconded By: Represent Darryl Scott

MOTION: After duly considering, inter alia, the nature of the business, that the Applicant is a “small business” within the meaning of 29 Del. C. § 5035 (b)(3), that the Applicant has won a Phase I award in the Federal SBIR Program, that the Applicant has submitted a proposal for a Phase II SBIR award but has not yet received such award, that the Applicant’s principal place of business will be located in the State of Delaware; and that the research to be conducted will benefit the Delaware economy, and other requirements under applicable statutory and regulatory provisions, the Council shall recommend to Director Alan Levin, Chairperson of The Delaware Economic Development Authority, approval of a grant in an amount not to exceed Fifty Thousand Dollars (\$50,000) to be disbursed from the Delaware Technical Innovation Program (“DTIP”), to be used for the Project, contingent upon the approval remaining in effect through and including December 16, 2014.

Approved by Vote of 7 to 0.

Springleaf General Services Group (“Springleaf” or the “Applicant”): The Applicant is requesting a Delaware Strategic Fund Performance grant in an amount not to exceed \$1,071,351, for the creation of a total of 235 new jobs within two strategic business units (SBU). The breakdown for each of the SBU's is: \$269,403 for the creation of 25 Delaware high-wage financial analysts/computer engineering jobs in a North Wilmington location and in an amount not to exceed \$801,948 for the creation of 210 Delaware-based call center jobs, possibly in New Castle. The Applicant is evaluating potential locations for the 210 call center jobs and will make a decision on which state to locate these jobs sometime in 2014. The 235 new jobs will be created in addition to the original 10 jobs they previously reported as their "landing team" designed to test the Delaware market, for a total of 245 Delaware-based jobs. The Applicant is also requesting a Delaware Strategic Fund Capital Expenditure grant in an amount not to exceed \$18,000 based on planned capital expenditures of \$600,000 by December 31, 2016 (as stated above, the “Project”).

Ms. Cannon presented this request to the Council. She stated that this request was before the Council in July 2013. At the July 22, 2013 Council meeting, the Applicant requested a Performance grant in an amount not to exceed \$269,403 and a Capital Expenditure grant in an amount not to exceed \$18,000 from the Delaware Strategic Fund. The Applicant proposed to use the funds to expand its operations to Wilmington, Delaware. Approval was granted at the July meeting pending a review of the borrower’s 2012 financial statements. It was decided at that meeting that further review of current financial statements, including the first quarter of 2013, were needed for the Council to make a recommendation. At the September 23, 2013, CDF meeting, Director Levin stated that after further review, it was decided that there would be no further action by DEDO.

Ms. Cannon stated Springleaf is coming back with its request because some things have occurred such as significantly improving its credit ratings and the issuance of an IPO of \$235,000. She stated that the original projection for salaries for the financial analysts and computer engineers was around \$80,000. She stated that today it is now projected that those salaries will be around \$105,000. She added that these jobs are high wage, high tech jobs. Ms. Cannon stated that there will be 210 new jobs in the call center. Ms. Cannon stated the call center jobs fit the needs of Delaware and will be a strong boost to Delaware's economy. She stated that Springleaf does have real estate in Texas but they like what they see in Delaware and want to stay here.

Mr. Hogan stated that Springleaf was a ninety-year-old company in Illinois under the ownership of AIG. He stated that AIG funded the business under an unsecured debt basis. He stated that over the past two years, Springleaf has purchased the mortgage business portion. He stated that the core business which is the personal loan business continues to do exceedingly well. He added that they have 835 branches in twenty-five states, the United Kingdom, Puerto Rico and the Virgin Islands.

Mr. Sears asked if Springleaf had considered doing financing through retail sales; like the purchase of a washer and dryer. Mr. Hogan stated that they used to do very well in that business but it is very competitive and it is difficult to make a profit in Springleaf's business in that direction.

Director Levin expressed to the Council that DEDO had taken a novel approach on this request and had held back and tabled going forward with the Project. He added that however, things have dramatically changed and even though there is no guarantee, he knows that Springleaf is going to work as hard as possible and he is anxious to see these new jobs come to Delaware.

Chairman Levin asked about Mr. Hogan's experience in Delaware. He stated that he actually is here in Delaware. He added that he has worked with MBNA and Chase.

Chairman Lubin asked if there were any public comments; there were none.

Motion Made By: Mr. Sears

Seconded By: Mr. Rowland

MOTION: After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000,

which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of a grant in an amount not to exceed One Million Seventy-One Thousand Three Hundred Fifty-One (\$1,071,351) as a performance grant and Eight Hundred One Thousand Nine Hundred Forty-Eight Dollars (\$801,948) as a capital expenditures grant, to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including December 16, 2014.

Approved by Vote of 7 to 0.

Route 113 Associates, LLC ("Route 113" or the "Applicant"): The Applicant will discuss its current compliance status and give an update in regards to its previous request for a modification pursuant to its Grant Agreement with the Authority.

Mr. Rowland recused himself from discussion and action on this Project as his firm represents Route 113 Associates.

Mrs. Cassie Porter presented this request to the Council. She stated that this is a follow up to the May 2013 meeting regarding Route 113. She stated that a Cure Report has been submitted. She stated that Route 113 has a contract for the sale of the property and the hotel is being built. Mrs. Cassie Porter stated that DEDO is asking the Council to accept the Cure Report.

Mr. Jones stated that since the May meeting, Route 113 entered into a contract with a hotel group in early August. He stated that they are required to close the deal by the end of December and a closing is scheduled for December 23. Mr. Jones stated that the hotel group is going through the final approvals for construction and it is allowed to start moving dirt and put up a silk fence. He stated that they are getting their certificate of insurance. He stated that he has been told that the hotel group hopes to have the hotel open by June 1, 2014. He stated that the hotel group has chosen Melvin Joseph as the site contractor and has chosen a contractor to build the hotel.

Mr. Jones stated that his group has had this property for a number of years and this is a turning point for them. He stated that the property consists of thirteen acres and the hotel group is buying three of those acres. He added that the property has been remediated.

Mrs. Vible asked about the review of costs involved with the Brownfields Assistance program. Mrs. Mears stated that the company is reimbursed for approved expenses outlined in the Brownfields Assistance program.

Director Levin stated that this a time sensitive matter since they hope to have the hotel open for the summer season. He added that Route 113 is responsible on a claw back basis.

Director Levin asked Mr. Jones if he could identify the name of the hotel. Mr. Jones stated that he could say that it was an operator from Rehoboth and that the hotel chain was Wyndham.

It was stated that the property is located south of the M&T Bank on Route 113 near Easter Seals.

Chairman Lubin asked if there were any public comments; there were none.

Motion Made By: Mr. Sears
Seconded By: Mrs. Vible
Recused: Mr. Rowland

MOTION: After duly considering, the previous findings, background and approval of this Project, the Council shall recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval to modify the Applicant's grant documents for its previously approved Delaware Strategic Fund Grant to reflect an extension of the time requirement for the creation of five (5) full-time positions to July 31, 2014.

Approved by Vote of 6 to 0.

Executive Session – Mr. Sears made a motion that the Council go into executive session pursuant to 29 Del. C. §10004(b) to conduct a strategy session for the purpose of obtaining legal advice or opinion from an attorney-at-law, with respect to pending or potential litigation related to collection issues, which if conducted in an open meeting, would have an adverse effect on the bargaining or litigation position of the Authority, and to discuss draft financial statements, which do not constitute public records within the meaning of 29 Del. C., § 10002(l). The motion was seconded by Senator Bushweller which was then adopted by unanimous vote.

Mr. Sears made a motion that the Council go out of executive session. The motion was seconded by Mrs. Vible which was then adopted by unanimous vote.

ADJOURNMENT

The meeting adjourned at 10:45 a.m.

Respectfully submitted,

Lee Porter, Secretary

LKP

cc: Members of the Council on Development Finance
Director Alan Levin
Lawrence Lewis, DAG

The next CDF meeting is scheduled for Monday, January 27, 2014 at 9:00 A.M. at Buena Vista in New Castle, Delaware.